



City of Homer

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Office of the City Clerk

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Memorandum Agenda Changes/Supplemental Packet

TO: MAYOR WYTHER AND HOMER CITY COUNCIL

FROM: MELISSA JACOBSEN, CMC, ACTING CITY CLERK

DATE: MAY 23, 2016

SUBJECT: AGENDA CHANGES AND SUPPLEMENTAL PACKET

ORDINANCES

Ordinance 16-30, An Ordinance of the City Council of Homer, Alaska, Authorizing the City to Issue General Obligation Bonds in the Principal Amount of Not to Exceed \$12,000,000 to Finance the Acquisition and Construction of a Police Station and Improvements to the Fire Hall; Amending HCC 9.16.010 to Provide for an Increase in the Rate of the City Sales Tax From 4.5% to 5.5% From April 1 Through September 30, With the Increase Dedicated to Fund Public Safety Operations and Infrastructure, Including Construction of a Police Station and Renovation of a Fire Hall and Submitting the Question of the Issuance of Such Bonds and Such Sales Tax Rate Increase to the Qualified Voters of the City at the October 4, 2016 Regular City Election. Mayor/Council.

Memorandum 16-092 from City Manager as back up

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Ordinance 16-29, An Ordinance of the City Council of Homer, Alaska, Amending Ordinance 16-10, the Completion of the 2016 Streets Repaving Project, Utilizing Homer Accelerated Roads and Trails (HART) Funds from \$638,000 to \$562,506. Smith.

Informational item Re: Budget- Overhead Allocation

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RESOLUTIONS

Resolution 16-063, A Resolution of the Homer City Council Maintaining the Water and Sewer Fees at the 2016 Rate and Updating the Homer Fee Schedule Accordingly. City Manager/Finance Director.

Memorandum 16-093 from City Manager as backup

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Administration

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Memorandum 16-092

TO: Mayor Wythe and Homer City Council
 FROM: Katie Koester, City Manager
 DATE: May 23, 2016
 SUBJECT: Data to accompany Ordinance 16-30

The purpose of this memo is to provide Council with information to frame Ordinance 16-30, a general obligation bond for public safety and seasonal sales tax increase.

Bond Terms

The chart below presents a variety of options for the cost of issuing a bond. Voters authorize a not to exceed number, the City can always bond for less than the voters authorize. The Bond Bank clusters many communities together. It would be tight to make a fall 2016 issuance, but the next available sale would be soon thereafter in February or March of 2017.

Amount Borrowed	Term	Interest Rate	Annual Payment	+ 1.25 Debt ratio	+ Increased O&M \$144,000
		As of 04/12/2016			
11.5m	20 years	Current (2.6586%)	\$727,482*	\$909,353	\$1,053,353
11.5m	20 years	Current + 50bps (3.0853%)	\$759,760*	\$949,700	\$1,093,700
11.5m	30 years	Current (3.427%)	\$595,516*	\$744,395	\$888,395
11.5m	30 years	Current + 50bps (3.777%)	\$631,392*	\$789,240	\$933,240
		As of 5/16/2016			
12m	20 years	Current (2.6586%)	\$843,780	\$1,054,725	\$1,198,725
12m	20 years	Current + 50bps (3.0853%)	\$872,688	\$1,090,860	\$1,234,860
12m	30 years	Current (3.35%)	\$635,000*	\$793,750	\$937,750
12m	30 years	Current + 50bps (3.85%)	\$676,000*	\$845,000	\$989,000
		Estimate (combined)			
13m	20 years	Current (2.6856%)	\$913,992	\$1,142,490	\$1,286,490
13m	20 years	Current + 50bps (3.0853%)	\$945,300	\$1,181,625	\$1,325,625
13m	30 years	Current (3.35%)	\$731,892	\$914,865	\$1,058,865
13m	30 years	Current + 50bps (3.85%)	\$774,312	\$967,890	\$1,111,890

*Actual figures run by Alaska Bond Bank. Non-asterisk numbers are estimates based on online bond calculator tool and less arcuate.

Sales Tax Value by Tenths of a Percent

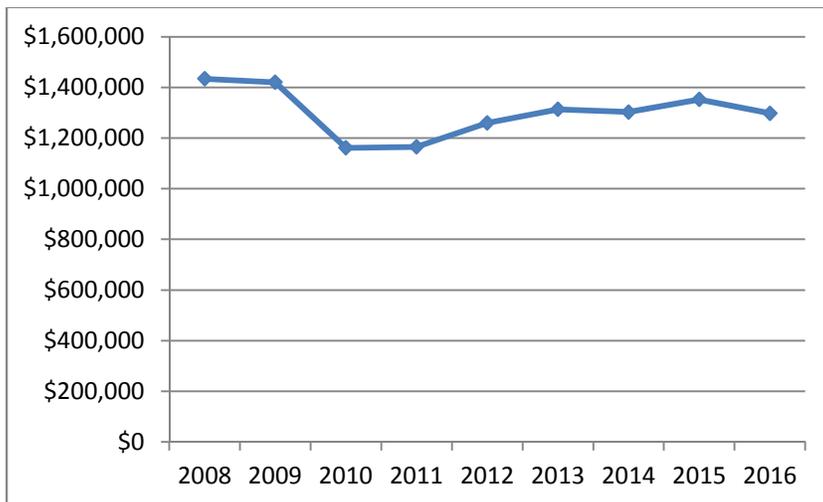
2015 Seasonal Sales Tax Value April – September (6mo)	
1%	\$1,222,000
0.90%	\$1,099,800
0.80%	\$977,600
0.70%	\$855,400
0.60%	\$733,200
0.50%	\$611,000

2015 Sales Tax Value	
1%	\$1,666,642
0.90%	\$1,499,978
0.80%	\$1,333,314
0.70%	\$1,166,649
0.60%	\$999,985
0.50%	\$833,321

First Quarter Sales Tax Revenue

First quarter sales tax is down just over 4% from last year's first quarter data. The 2016 budget is based on a 2% decrease in sales tax revenue for 2016.

January – March Historical Sales Tax Revenue



Year	Jan - March
2008	1,433,659
2009	1,419,869
2010	1,161,059
2011	1,164,786
2012	1,259,037
2013	1,313,448
2014	1,302,726
2015	1,352,305
2016	1,297,705

2015 Property Tax Returns (Budget vs. Actual)

Property tax receipts for 2015 actual are up \$40,000 from budgeted. This is just shy of 1.5%: \$2,890,000 up from budgeted number of \$2,855,000.

Can two questions (a tax increase and authority to bond, for example) be combined on one ballot?

From Attorney Klinkner:

The question of combining a proposition to issue bonds with a proposition to impose a tax to pay debt service on the bonds has not been addressed by courts in Alaska. However, while courts in other states may disapprove the combination of two unrelated questions in a single ballot proposition, this disapproval does not extend to ballot propositions that combine the question of issuing bonds with the question of levying a tax to pay the bonds. Courts have consistently approved such a combination. Indeed, some have held that the combination of the two questions is required. As a court in Texas explained:

The bonds and the tax [to pay the bonds] both had to be voted on. There could not be one without the other. Any voter who was in good faith for the bonds was also for the tax, and one against the tax was also against the issuance of the bonds. The voters were not entitled to have these two inextricably joined matters submitted separately so that they might cast unintelligent votes of being for the one and against the other.

As far as I could determine, the City bonds for the library were authorized (by Ordinance 04-030(A)) without any proposition for a sales tax increase for their payment being submitted to the voters. Alternate ordinances that would have combined the bond proposition with a proposition for a sales tax increase apparently failed at introduction.

Timing for Bond Ordinance

Staff has been operating under the assumption that the City of Homer is required to submit a ballot proposition to the U.S. Department of Justice 90 days before a regular election for preclearance as part of the Voting Rights Act. However, the Department of Justice requirement to review all bond propositions was overturned by the U.S. Supreme Court in 2013, thus negating the need to have propositions in place by July 1. This gives Council until the August 8th meeting to adopt a final proposition for placement on the October ballot.

City of Homer
2016 Operating Budget

Overhead Allocation:

Department	FY 2016 Amount to be Allocated
Mayor & Council	475,847
City Clerk	382,548
City Manager	205,287
Economic Development	181,098
Personnel	154,149
Information Technology	276,001
Finance	629,875
City Hall Complex	135,376
Janitorial	165,902
Public Works Admin.	159,687
Public Workers Building \$10,000	
Total Amount To be Allocated	2,765,771

*** Total General Fund Budget 11,658,093

- 1. Allocation:** it is the process of splitting certain expenses between funds and/or Cost Centers (departments or divisions including General Fund itself).
- 2. Purposes** to allocate certain General Fund expenses to other Funds (Port & harbor and Water & Sewer):
 - a. It is to report the true financial performance of each fund or program, which receives DIRECT interdepartmental or inter-fund administrative services.
 - b. It serves as a Cost Recovery mechanism for General Fund to be reimbursed for the services provided.
- 3. Methodology:**
 - a. A fixed percentage of the total amount [to be allocated] is applied to for HART [Road and Trail] & HAWSP. The percentages are developed based on historical data and it will be reviewed periodically to assess its appropriateness.
 - b. The FOUR funds share the remaining balance of the total amount to be allocated based on the size of each fund's Operating Budget (excluding: PERS Relief, Transfers to Depreciation Reserves, Capital Projects, and the amount to be allocated itself).

General, Water & Sewer, Port & Harbor	HART - Road	HART - Trail	HAWSP	100%	
				Port & Harbor	HAWSP
90%	4.0%	1.0%	5.0%		

General Fund	Water	Sewer	Port & Harbor	Total Base
7,852,629	1,490,969	1,255,401	3,129,912	13,728,911
57.2%	10.9%	9.1%	22.8%	100.0%

General Fund	Water	Sewer	Port & Harbor	HART - Road	HART - Trail	HAWSP	Total
2016 % of Total Allocated Amount	9.8%	8.2%	20.5%	4.0%	1.0%	5.0%	100.0%
2016 Amount Allocated to each fund Adjustments	270,328	227,617	567,485			138,289	2,765,771
	5,000	5,000	6,206				16,206
2015 Amount Allocated to each fund	274,210	214,191	605,925	115,365	28,841	144,206	2,884,123
2014 Amount Allocated to each fund	330,646	342,409	601,112	103,862		104,697	3,829,504
2013 Amount Allocated to each fund	332,964	319,102	532,436	84,152		143,012	3,341,453



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Memorandum 16-093

TO: Honorable Mayor Wythe and Homer City Council
FROM: Katie Koester, City Manager
DATE: May 23, 2016
SUBJECT: Resolution 16-063: Water Sewer Rates

The purpose of this memo is to provide information on average residential water usage in 2015 for Council's consideration of Resolution 16-063, setting water and sewer rates for July 1, 2016 through June 30, 2017.

- City of Homer had approximately 265 residential customers who consume less than 1000 gallons per month in 2015.
- 1034 residential customers consume between 1000 to 10000 gallons per month, with an average of 2976 gallons per month.
- Among the above 1034 customers, 667 of them consume between 2000 to 8000 gallons per month, on average of 3556 gallons per month.